

China's forex reserves hit record high

China's foreign exchange reserves rose to a record \$2.85 trillion by the end of 2010 – almost equal to the combined total of Japan, Russia, Saudi Arabia, Taiwan, South Korea, and the entire 17-member eurozone



1 American company pays dollars to Chinese company to buy goods to import



2 Chinese company exchanges dollars for yuan to pay for raw materials, wages and other costs in domestic currency

3 China's central bank takes U.S. dollars and prints yuan. *People's Bank of China* has increased yuan circulation by **80%** in past five years

4 Central bank uses dollars to buy U.S. Treasury bonds and bills

Foreign currency reserves US\$ billions, Jan-Sep 2010

China:
2,648.3

Japan: **1,051.9**

Eurozone: **769.8**

Russia: **447.6**

Saudi Arabia: **413.3**

Taiwan: **380.5**

South Korea: **285.2**

Brazil: **267.7**

Hong Kong: **266.0**

India: **265.2**

Switzerland: **220.4**

Singapore:
212.86

U.S.:
51.7

UK:
48.1

